

# ICO/FAO Guideline - 5.9.G (07/08/03)

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## Last Update: (07/08/03) BDenman:kma - 5.9.G.0

Section 5.9.G.2.f – Prepayments to Federal Agencies, in this guideline has been revised to remove the prepayment approval requirement for Federal Agency Orders.

### Definitions

**Government Sources of Supply** as used in these guidelines refer to ICs, and FAs. Other Government Sources of Supply (i.e., Federal Supply Schedules (FSSs) and Authorized ADP Schedules) are covered in Policy and Guideline 5.10.

An **Integrated Contractor (IC)** is an entity under contract with DOE, uses DOE funds to finance operations under a cost-type contract and maintains accounts and records of all business transactions under the contract in accordance with DOE accounting policies and systems.

An **Integrated Contractor Order (ICO)** is an assignment of work and/or transfer of Government property between ICs.

**Federal Agencies (FAs)** are federal government agencies, such as Department of Defense (DOD) Supply Centers, Department of Commerce, Interior, etc.

**Federal Agency Orders (FAOs)** are orders issued to any FA.

**Interoffice Work Order (IWO)** - A form used for work performed outside the purview of DOE/AL.

**Mission Related Work** is work that is within the scope of work of an Integrated Contractor and DOE.

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## **ICO Procedures - 5.9.G.1**

### **Integrated Contractor Orders (ICOs) - 5.9.G.1.a**

All currently identified ICOs are uniquely listed in the Supplier Database. Contracting directly with DOE M&O Contractors is to be done under the ICO procedure.

The decision to place an order with an IC is based on the IC's mission statement in their contract with DOE, their capabilities, current workload capacity consideration of subsequent production and DOE assigned functions, and the lack of any known commercial source(s) that can meet SNL's actual needs. A mission assignment is a requirement for material or service which is determined to fall into the DOE mission-related category if the product or process has been assigned to one of the DOE Integrated Contractors and mutual benefit (i.e., to Sandia and DOE) is achieved by placing the order with that Contractor.

All nonmission-related work should be screened carefully by the SCR to assure that there are no viable commercial sources for the work. Examples of nonmission-related work are: maintenance on radios, pagers, etc. All nonmission work assigned to an IC shall be justified by documentation retained in the contract file that states the reasons the work cannot be performed by other sources.

It should be noted that an IC might have provisions in their prime contract with DOE to use Government property/facilities for private competitive purposes. In those cases, that portion of the company is segmented and is classified as a commercial entity, not an IC. The SCR shall require verification of this contract provision and may then proceed to process a procurement requirement in the same manner they would with any other commercial firm.

### **Sole-Source Requirements for ICOs - 5.9.G.1.b**

An ICO is subject to the sole-source considerations of Policy and Guideline 1.3 - Competitive vs. Noncompetitive Purchases. If the procurement is greater than \$25,000, it must pass the three-part test of a valid sole source by documentation on the sole-source form. If the order is less than \$25,000, the SCR must ensure the adequacy of the sole source. If an IC has been designated as the appropriate source for any nonmission-related work, the award type is noted as noncompetitive sole source in Oracle. The contract file should document whether the acquisition is mission or nonmission related. If the requirement is nonmission related, the file must

adequately document why it is being placed with the IC instead of a commercial source. IC requirements may not be competed.

## **Procurement Responsibility - 5.9.G.1.c**

ICOs are processed by SCR's in Procurement at SNL/NM. At SNL/CA, issuance and administration of ICOs are performed by personnel of the California Site Logistics and Procurement Department per procedures established and approved by California Weapons Development Support. This is per the authority of the SNL Procurement Manual and per delegation of authority from the Director of Procurement and Logistics at SNL/NM.

## **Terms and Conditions - 5.9.G.1.d**

SNL Standard Ts&Cs (Section IIs) do not apply to ICOs. Applicable terms include:

- the terms of the IC's contract with DOE, and
- any working agreement which may have been established between SNL and the IC.

Copies of all current working agreements are located in the Procurement Operations Department (Policies and Procedures) in SNL/NM or with the California Site Logistics and Procurement Department at SNL/CA.

## **Mandatory ICO Clause to the SOW - 5.9.G.1.e**

All ICOs shall include the ICO clause, SC 114-KIC. This clause incorporates a pre-established contract between the individual IC and DOE and any working agreement between the individual IC and SNL. It provides for any loaned/transferred property to be listed on the Shipper (not in the ICO) and incorporated into the order.

## **Issuing an ICO - 5.9.G.1.f**

The Requester shall prepare the PR describing the Statement of Work, dollar commitment and delivery date. The SCR, after receipt of the PR for an order that is to be awarded to an IC, shall:

- Review the Statement of Work (SOW) to determine if the goods or services required are not commercially available to determine the appropriateness of the work to an IC.
- If goods or services are not commercially available and are less than \$100,000, issue an ICO to the IC based on the requisition amount.
- For procurements greater than \$100,000, the SCR shall document the facts that the cost or price is reasonable by one of the following methods:
  - Internal estimate
  - External data
  - Historical data (or any other type of analysis)

**Note:** The SCR shall document the file and discuss the reasonableness of price/cost.

- For ICOs expected to exceed \$1 million, the SCR must obtain approval from DOE prior to the issuance of the order.

**Note:** New ICOs should not be issued in lieu of a revision for the same effort so as to avoid exceeding the \$1 million ceiling which would require prior DOE approval.

- If there is a requirement for work in which there is a significant amount of subcontracting with very little work being done by the IC, the SCR should question why the work is not contracted directly to the subcontracting company. Any IC procurement with a substantial amount of subcontracting should be thoroughly documented as to the reason why it is necessary and should rarely occur.
- Lockheed Martin (LM) ICs >\$25,000 require DOE approval.
- Per DOE requirements, IC work greater than \$250,000 for work outside the purview of DOE/AL shall be processed using the Interoffice Work Order System. An Interoffice Work Order (IWO) form shall be completed by the SCR that allows financing for the work via a reconciling transfer of budgetary authority between DOE field offices. Interoffice work valued at \$250,000 or less, and intraoffice (DOE/AL) work regardless of the threshold will be handled on a cash reimbursement basis.
- The SCR may send a Fax, or issue the order by telephone. An ICO (hardcopy or electronic) document will then be issued and forwarded to the IC.
- The SCR must ensure that the signed cover page for orders over \$100,000 is scanned and included in the Procurement file.

**Note:** Signed Cover Pages for ICO orders under \$100,000 are not required.

The procurement approval levels for ICOs are set forth in Policy and Guideline 10.2 - Commitment and Approvals.

**Caution:** An ICO issued to a Lockheed Martin Corporation (LMC) operating unit may not be placed until approval has been granted by a DOE/KAO Contracting Officer (>\$25,000 and any amendment in which the cumulative value is greater than \$25,000), per Policy and Guideline 6.20 - Procurement Action Summaries. The OCI determination is not required for Integrated Contractors (other than LMC ICs).

## **Production ICOs – 5.9.G.1.g**

There are **four types** of ICOs in Production:

- **Program Management Agreement between Sandia and a Production Agency, delivery to SNL, with no cost, and, is MRP driven**

This ICO requires that SNL Production Planning and Material Management (PP&MM) identify quantity and delivery schedule. Program Management (PM) then negotiates the

quantity and delivery schedule with the Production Agency.

Program Management maintains a paper trail (ICO(s)) that documents the agreed to quantity and delivery schedule. Based on negotiated quantities and schedules, a Purchase Order is then input into Oracle by the SCR to show a schedule receipt (no additional information is required).

- **Program Management Agreement between Sandia and a Production Agency, delivery to a Contractor, with no cost, and is not MRP driven**

SNL PP&MM identify quantity and delivery schedule. Program Management negotiates with PA's quantity and delivery schedule.

Program Management maintains a paper trail (ICO(s)) that documents agreed to quantity and delivery schedule. No Purchase Order required.

- **ICO between Sandia and a Production Agency, delivery to SNL, with cost, and is MRP driven**

Planner and SCR identify and negotiate quantity and delivery schedule. PO is then input into Oracle by the SCR to show a scheduled receipt. All documentation is filed in the contract file.

- **ICO between Sandia and a Production Agency, delivery to a Contractor, with cost, and is MRP driven**

Planner and SCR identify and negotiate quantity and delivery schedule. PO is then input into Oracle by the SCR using two way invoice matching to show a scheduled receipt and direct delivery. All documentation is filed in the contract file.

## **Radioisotope ICOs - 5.9.G.1.h**

Radioisotope ICOs shall be accompanied by a completed DOE Form F5400.3, Isotope Order Blank (original plus two copies). Handling charges, if any, shall be stated as a separate charge. These orders are currently placed with Oak Ridge, Argonne, Mound, Brookhaven and Materials Testing Laboratory.

## **Property Procedures for ICOs - 5.9.G.1.i**

SNL-controlled property required for the performance of an ICO shall generally be transferred from SNL to the IC through administrative transfer (nonfunded charge basis) effected by Accounts Payable, based on the transfer instructions contained on the Shipper form. Such transfers are initiated by the line organization. The SCR signature is not required.

Property transferred to an IC is not considered loaned. The accountability of the property becomes the responsibility of the IC. At the completion or termination of the ICO, the SCR will provide instructions for the disposition of property.

Material to be incorporated into the end product or to be consumed in the performance of the

ICO becomes the responsibility of the IC and further accountability by SNL is not required.

Property not transferred may be loaned for the period of the ICO to an IC if the need for return of the item to SNL is stated in writing, by the line organization, on the Shipper.

Government-Furnished Property (GFP) or Development and Administrative Support at SNL/CA, shall maintain the record of property loaned on each ICO, obtain disposition instructions from the line organizations, and forward disposition instructions to the IC through the SCR.

## **Prepayments to Integrated Contractors - 5.9.G.1.j**

Prepayments to ICs require specific approvals at all dollar amounts, see Guideline 6.3 – Contract Financing.

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## **FAOs Procedures - 5.9.G.2**

### **Issuing Federal Agency Orders (FAOs) - 5.9.G.2.a**

The Requester for all FAO orders must define the scope of effort and include an associated (not-to-exceed) ceiling amount if the FAO order is to be incrementally funded.

The SCR, after receipt of the PR, for an order that is to be awarded to a Federal Agency (FA), shall submit the order to the designated agency. A Determination & Finding (D&F) form shall be filled out and then scanned into the contract file. A copy of the D&F form is then scanned into the contract file.

**Note:** All orders shall include the following statement:

"Sandia Corporation, herein, is acting on behalf of the U.S. DOE with respect to the expenditure of government funds, pursuant to written authorization of the Contracting Officer, Contracts and Procurement Division, Albuquerque Operations Office, U.S. DOE, dated February 10, 1999. A copy of this authorization is available on request."

All currently identified FAs are uniquely listed in the Supplier Database and are identified with a prefix of FAO. FAOs are processed by SCRs in Procurement at SNL/NM. Under delegation from the Director of Procurement and Logistics issuance and administration of FAOs at SNL/CA is performed by personnel of the California Site Logistics and Procurement Department per procedures established and approved by California Weapons Development Center and applicable Policies and Guidelines. Orders to FAs should be placed using the following order of preference:

- an SNL originated FAO, or
- Interagency Agreements issued through DOE.

An FAO is not subject to the competition or sole-source considerations of Policy and Guideline

1.3 - Competitive vs. Noncompetitive Purchases. FAs are not to be placed in competition against other FAs, commercial Contractors, ICs or Government Contractors. The procurement approval levels for FAOs are set forth in Guideline 10.2.

**Note:** When a change is made to the Statement of Work that is outside the general scope of work, a new FAO must be issued.

## **Mandatory Preamble to the SOW - 5.9.G.2.b**

Orders to FAs must include:

- SC 101-KF5, Federal Agency Orders, to be used for all FAOs except those orders submitted indirectly to FAs through DOE.

## **Memorandum of Agreement - FAOs - 5.9.G.2.c**

If there is a Memorandum of Agreement (MOA) between DOE and the Agency, the MOA number must be referenced in the FAO and the FAO must include a statement that the Ts&Cs of the MOA are applicable to the FAO.

## **Property Procedures for FAOs - 5.9.G.2.d**

Per SC 101-KF5, Federal Agency Orders, government property may be furnished by Sandia for performance of an FAO. Such property will be listed on the Sandia Shippers which are incorporated into and made a part of the FAO. At the completion or termination of the FAO, the Agency shall forward a listing of any remaining property to the SCR for disposition instructions.

The GFP Team shall maintain the record of property loaned on each FAO, obtain disposition instructions from the line organizations and forward disposition instructions to the FA through the SCR. Contract administration and closing procedures for furnished property are done in accordance with standard procedures for other types of contracts, see Guideline 6.13 - Property. FAOs are not subject to audit by SNL.

Government property to be transferred via Shipper to:

- other DOE locations, and
- other FAs.

must be declared excess by the accountable organization. The line organization initiates the transfer by declaring the property excess and requests the property be transferred. This request is sent to Excess Property Administrator in Property and Material Services Department (Property Management Department at SNL/CA).

## **Prepayments to Federal Agencies – 5.9.G.2.f**

Prepayments to FAs do not require specific procedures and approvals at any dollar amounts.

## Interagency Agreements (DOE Agreements) - 5.9.G.2.g

Interagency Agreements are those agreements that DOE processes when the Federal Agency (FA) will not accept an SNL order. The SCR shall submit to DOE/KAO a copy of the approved PR for DOE to issue the Interagency Agreement to the FA. Some of the agencies who require an Interagency Agreement (in lieu of an FAO) are: Defense Threat Reduction Agency (DTRA), NASA, and the Corp of Engineers.

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## Applicable Clauses - 5.9.G.3

- SC 101-KF5 - Federal Agency Order Preamble
  - SC 114-KIC - ICO Preamble
  - SC 116-KFT - Order Against ADP or Federal Supply Schedule Contract - Partial
  - SC 217-FFA – Funds Available - Fixed Price Contracts
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## References - 5.9.G.4

- Policy and Guideline 1.3 - Competitive vs. Noncompetitive Purchases
  - Policy and Guideline 6.3 – Contract Financing
  - Policy and Guideline 6.13 - Property
  - Policy and Guideline 10.2 - Commitments and Approvals
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Send feedback on ideas and information on this page to the Process Expert, Bertie Denman.



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